

**REPORT OF THE AUDIT OF THE  
FLOYD COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FLOYD COUNTY SHERIFF**

**For The Year Ended  
December 31, 2004**

The Auditor of Public Accounts has completed the Floyd County Sheriff's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees decreased by \$49,236 from the prior year, resulting in excess fees of \$9,062 as of December 31, 2004. Revenues increased by \$36,806 from the prior year and expenditures increased by \$86,042.

#### **Debt Obligations:**

Total debt principal as of December 31, 2004, was \$19,557. Future collections of \$19,557 are needed over the next year to pay all debt principal and interest.

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Paul H. Thompson, Floyd County Judge/Executive  
Honorable John K. Blackburn, Floyd County Sheriff  
Members of the Floyd County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Floyd County, Kentucky, for the year ended December 31, 2004. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2005, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Paul H. Thompson, Floyd County Judge/Executive  
Honorable John K. Blackburn, Floyd County Sheriff  
Members of the Floyd County Fiscal Court

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Floyd County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 27, 2005



FLOYD COUNTY  
JOHN K. BLACKBURN, COUNTY SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

Federal Payments (Lake Patrol)		\$	20,167
State - Kentucky Law Enforcement Foundation Program Fund			21,105
State Fees For Services:			
Finance and Administration Cabinet	\$	150,834	
Cabinet For Human Resources		<u>311</u>	151,145
Circuit Court Clerk:			
Sheriff Security Service	\$	32,969	
Fines and Fees Collected		2,518	
Court Ordered Payments		<u>19,672</u>	55,159
Fiscal Court			135,069
County Clerk - Delinquent Taxes			8,583
Commission On Taxes Collected			286,389
Fees Collected For Services:			
Auto Inspections	\$	16,541	
Accident and Police Reports		1,942	
Serving Papers		50,475	
Carrying Concealed Deadly Weapon Permits		<u>6,825</u>	75,783
Other:			
Sheriff's Add-On Fees	\$	88,499	
Tax Collection Fees		6,625	
Miscellaneous		<u>61</u>	95,185
Interest Earned			1,578
Borrowed Money:			
State Advancement			<u>99,111</u>
Total Revenues		\$	<u>949,274</u>

The accompanying notes are an integral part of this financial statement.

FLOYD COUNTY  
 JOHN K. BLACKBURN, COUNTY SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2004  
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	292,130
Other Salaries		183,680
Overtime		16,388

Employee Benefits-

Employer's Share Social Security		40,675
Employer's Share KLEFPF Retirement		1,290
Unemployment Insurance		6,909

Contracted Services-

Accounting Fees		4,501
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Materials and Supplies-

Office Materials and Supplies		11,263
Uniforms		14,342

Auto Expense-

Gasoline		47,566
Maintenance and Repairs		63,909

Other Charges-

Conventions and Travel		3,955
Dues		862
Postage		2,824
K-9 Unit Expense		533
Bond		982
Carrying Concealed Deadly Weapons Permit		3,510
Communications		1,291
Training		2,327
DARE Program Expense		4,616
County Collections		9,238
Miscellaneous		528
		<hr/>
	\$	713,319

The accompanying notes are an integral part of this financial statement.

FLOYD COUNTY  
 JOHN K. BLACKBURN, COUNTY SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2004  
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Capital Outlay:

Vehicles	\$	50,457
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Debt Service:

State Advancement		99,111
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Total Expenditures		\$	862,887
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Net Revenues		\$	86,387
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Less: Statutory Maximum	\$	74,232	
Training Incentive Benefit		3,093	77,325

Excess Fees Due County for 2004		\$	9,062
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Payments to Fiscal Court - January 21, 2005	\$	9,000	
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Payments to Fiscal Court - October 26, 2005		62	9,062
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Balance Due Fiscal Court at Completion of Audit		\$	0
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FLOYD COUNTY  
JOHN K. BLACKBURN, COUNTY SHERIFF  
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

FLOYD COUNTY  
JOHN K. BLACKBURN, COUNTY SHERIFF  
NOTES TO FINANCIAL STATEMENT  
December 31, 2004  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2004, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Drug Abuse Resistance Education Program Account

The Floyd County Sheriff maintains an account for Drug Abuse Resistance Education Program money. This money is to be used for drug education. The beginning balance in the account as of January 1, 2004 was \$40. During 2004, funds of \$1,400 were received and no funds were expended, leaving a cash balance of \$1,440 as of December 31, 2004.

FLOYD COUNTY  
JOHN K. BLACKBURN, COUNTY SHERIFF  
NOTES TO FINANCIAL STATEMENT  
December 31, 2004  
(Continued)

Note 5. Drug Reinforcement Account

The Floyd County Sheriff maintains a drug reinforcement account made up of proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are to be used for law enforcement activities. As of January 1, 2004, this account had a cash balance of \$6,991. During 2004, funds of \$2,179 were received and no funds were expended, leaving a cash balance of 9,170 as of December 31, 2004. The account also had a receivable of \$3,123, which was collected on October 21, 2005, for a fund balance of \$12,293.

Note 6. Drug Task Force Account

The Floyd County Sheriff maintains an account for a Drug Task Force to combat illegal drugs sold in the county. The fiscal court provides the revenue to support this program and the funds are used to purchase illegal drugs and pay informants. As of January 1, 2004, this account had a balance of \$122. During 2004, funds of \$10,095 were received and \$8,100 was expended, leaving a cash balance of \$2,117 as of December 31, 2004.

Note 7. Lease

The office of the County Sheriff was committed to a lease agreement with Ford Motor Credit Company for three Ford Crown Victoria's. The agreement requires an annual payment of \$19,557 for 4 years to be completed on December 15, 2005. The total remaining balance of the agreement was \$19,557 as of December 31, 2004.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Paul H. Thompson, Floyd County Judge/Executive  
Honorable John K. Blackburn, Floyd County Sheriff  
Members of the Floyd County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Floyd County Sheriff for the year ended December 31, 2004, and have issued our report thereon dated October 27, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Floyd County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Floyd County Sheriff's financial statement for the year ended December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management, the Floyd County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 27, 2005

